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UNCLAS SECTION 01 OF 02 PRETORIA 000852

SIPDIS

DEPT FOR AF/S KGAITHER; AF/EPS CAKUETTEH AND MFLEMING
USDOC FOR 4510/ITA/IEP/ANESA/OA/JDIEMOND
COMMERCE ALSO FOR HVINEYARD
TREASURY FOR OWHYCHE-SHAW
DEPT PASS USTR FOR PCOLEMAN AND WJACKSON

E.O. 12958: N/A
TAGS: ETRD PREL SF AGOA USTR
SUBJECT: INPUT FOR PRESIDENT'S 2005 REPORT ON AGOA

REF: (A) STATE 24616, (B) 2004 PRETORIA 4098

11. This cable responds to Reftel A request for post's input for the President's 2005 report on AGOA drawing on the template provided.

12. SOUTH AFRICA

Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade

The South African government continued to implement prudent fiscal and monetary policies. Inflation fell to 4.3% in 2004, well within the central bank's target range of 3-6%. Economic growth, which at 3.7% exceeded the government's expectation of only 2.9% in 2004, combined with improved tax collection resulted in a reduction of the budget deficit to 2.3% of GDP, far lower than the predicted 3.5%. The new budget proposed in February 2005 focused on accelerating growth and investment. In order to alleviate supply-side constraints, it called for reducing the regulatory burden on small business, reducing taxes, improving the supply of skilled labor and cutting transportation costs. South Africa is moving slowly forward with the restructuring of state owned enterprises. The government has made improvements in the management and efficiency of South Africa's ports. In 2003 the government divested much of its interest in Telkom, the state-owned telecommunications giant. In February 2005 the government finally approved the shareholding structure of a second national telecommunications operator (SNO), setting the stage for the licensing of the new company to begin competing with Telkom later in the year. South Africa is making progress on intellectual property rights protection. Police increased seizures of counterfeit goods, but follow-up and prosecution have been inadequate. Copyright protection is a problem. A gap in the counterfeit goods law makes it difficult to seize pirated goods that transit through South Africa. South Africa provides national treatment for foreign investors. A bilateral Trade and Investment Framework Agreement and a bilateral tax treaty are in force. The negotiations for a free trade agreement between the United States and the Southern African Customs Union stalled halfway through 2004 but Ministerial talks in December 2004 set the stage for getting them back on track in 2005.

Rule of Law/Political Pluralism/Anti-Corruption

13. South Africa is a multiparty parliamentary democracy, and opposition parties operate freely. While the African National Congress holds a sizeable majority in the Parliament, several other parties operate actively and freely. National elections were held in April 2004. The government is committed to the rule of law and is working to strengthen its judicial and regulatory systems. The judiciary is independent at all levels. While South Africa faces governance and corruption challenges, the government has made the fight against corruption a priority.

Poverty Reduction

14. The government continued to take steps to address poverty and vulnerability. Priorities for the next three years are to accelerate economic growth, enhance social development, and lower inequality. Poverty reduction measures contained in the February 2005 budget continued the trend for increased spending for social infrastructure investment, direct income support and improved basic service delivery to the poor. The government proposed more funds for social security grants, rural land restitution, housing, public transport, teachers and police. Increasing rates of HIV/AIDS and high unemployment are serious obstacles to reducing the divide between the rich and poor.

Labor/Child Labor/Human Rights

15. The Constitution provides for equal protection, freedom of speech and the press, freedom of assembly, and an independent judiciary. South Africa provides strong worker rights protections, including freedom of association and the right to organize and bargain collectively. Approximately 26 percent of economically active South Africans are members of trade unions; 485 trade unions are registered. South Africa has ratified ILO conventions 29 and 105, and prohibits forced or compulsory labor. In sectors which unions have found it difficult to organize, such as farming or domestic work, the Department of Labor has established sector-wide minimum wages. South Africa is actively engaged in reducing the incidence of child labor, including the worst forms of child labor. The government is both taking preventative measures, including eligibility for income grants for poor children under the age of 11 and waivers of school fees for poor children, and actively prosecuting employers of child labor. The incidence of HIV/AIDS, however, has led to an increase in the number of child-headed households. The SAG prohibits child labor for children under the age of 15 or under the minimum school leaving age (where the age is 15 or older), and does not allow the employment of children over age 15 should that employment be detrimental to the child. Children under age 15 are allowed limited employment in film, entertainment, sports and advertising, if the employer has applied for and been granted license by the South African Department of Labor. South Africa has ratified ILO convention 182 on the worst forms of child labor. The latest survey of child labor was conducted in 1999, and found that 36 percent of children between the ages of 5 and 17 engaged in work of some type, most frequently fetching fuel and water. The government has focused high- level attention on the human rights issues of law enforcement, however deaths due to excessive force by security forces and deaths while in police custody were reported. Some police officers have reportedly beat, raped, tortured, and otherwise abused suspects and detainees. The government has taken action to investigate and punish some of those involved.

Public Outreach

16. Post has engaged actively in public outreach to advance AGOA throughout the past year. Even before arriving at post, Ambassador Frazer promoted AGOA in her remarks at a reception covered by the press at the Corporate Council on Africa (CCA) and Good Works International in July. She also advanced AGOA in speeches at the American Chamber of Commerce and the South Africa Foundation. She routinely promotes AGOA in her wide-ranging public diplomacy efforts.

17. An Embassy Economic officer, Alan Tousignant, advanced AGOA in an SABC-TV broadcast on NEPAD; a 30-minute live radio interview on SABC-FM; speeches at the Metropolitan BEE Conference and Expo Africa, the Institute of South Africa, and the Women's Business Network; interviews with Channel Africa Radio, Engineering News, INet, and African Decisions; and a digital video conference with 25 African and European students studying in a Master's Program in International Trade and Investment with South African universities. The Economic section also routinely advises U.S. and South African businesses on AGOA provisions. The Consul General in Durban, Michael Thurston, promoted AGOA at a recent National Ports Authority/SA Port Operations hosted conference for the Enterprise Florida trade delegation and SA business. Similarly, the PAO in Cape Town, Lou Mazel, explained AGOA on live interviews with Cape Talk radio. Cape Town also arranged media events with a focus on AGOA for such visitors as Codel Goodlatte and Treasury Under Secretary John Taylor.

SIPDIS

FRAZER